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Challenging the strategy paradigm within the paper packaging industry

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Abstract

Formulating and implementing a new strategy may be a challenging task, especially if it alters the way in which a company has operated and positioned itself before. This may be particularly true for companies within the forest industry, like manufacturers of paper packaging products, pursuing differentiated customer value and innovative solutions where, traditionally, success has been measured in volume and relative position on a cost curve. In theory there are different schools of thought and approaches on how to go about formulating and implementing strategy. In practice, going through strategic change may create a need to embrace new ways of thinking and acting in order to close the gap between formulation and implementation, between knowing what to do and doing it. This gap, particularly the interdependence between formulation and implementation in the context of change between strategies of different schools and assumptions, merits more attention in literature. The purpose of this paper is to contribute to the understanding of strategic change, illustrating a change process of formulating and implementing a strategy through the lenses of schools of strategy and cognitive research. The purpose is also to suggest areas for future research and practical guidance for organisations aiming to break away from a reigning strategy paradigm in search for new ways to compete. Based on a longitudinal case study of Billerud, a Swedish world-leading manufacturer of paper packaging material, two propositions are suggested for future research and practical guidance for managers when formulating and implementing strategic change. Firstly for an organisation going through strategic change, understanding the assumptions behind different strategic intents and the link between a chosen strategy and critical core activities, capabilities and culture is a prerequisite to enable a transition. Secondly, strategic change is enabled through an iterative and probing approach between formulation and implementation which considers knowledge and learning of new concepts, activity and culture as situated.

Keywords: strategic change, strategy implementation, customer orientation, innovation, paper packaging industry

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1 INTRODUCTION

Research shows that "…despite the enormous time and energy that goes into strategy development at most companies, many have little to show for the effort" (Mankins & Steele, 2005, p. 66). The source of this shortfall may lie in the actual planning and formulation of strategy, in the implementation and execution of strategy, or both (Porter, 1996; Collins & Porras, 1996; Gadiesh & Gilbert, 2001; Kim & Mauborgne, 2004; Mankins & Steele, 2005; Kaplan & Norton, 2007; Johnson, Christensen, & Kagermann, 2008; Neilson, Martin, & Powers, 2008; Porter, 2008). In order to address these shortfalls solutions may be found in literature on strategy and management. However, knowing what to do is not the same thing as doing them.

In practice, setting out to formulate and implement a new strategy, particularly one that alters the way in which a company has operated and positioned itself before, may be a daunting task. This may be especially true for companies within traditional and primary industries, such as the forest industry, who have long competed on the premises of an industrial economy where transformation, standardization and production has been at the heart of business logic (Normann, 2001; Hayhurst, 2002). The transformation towards an economy where knowledge, innovation and customer value are guiding principles question that inherent logic. In such an endeavour, the strategy development process employed by many organisations may in itself be a deterrent for new value creation and innovation (Dobni, 2010). Not understanding the link between the organisation's strategy, market orientation and new product development another hurdle, which in turn has received limited attention in research (Frambach, Prabhu, & Verhallen, 2003).

In theory there are different schools of thought and approaches on how a company may go about formulating and implementing strategy. A company can, according to Porter (1985), achieve a competitive advantage through a distinctive way of competing, for example – through cost or through differentiation in relation to its competitors. This notion is completely rejected by the authors behind Blue Ocean who discard "…the fundamental tenet of conventional strategy: that a trade-off exists between value and cost..." (Kim & Mauborgne, 2004, p 82). The proponents of the ambidextrous approach argue similarly the need and success of companies who are able to exploit and explore at the same time (O'Reilly & Tushman, 2004; Sarkees, Hulland, & Prescott, 2010). Where generic strategies have an external focus for leveraging competitive advantage and position, the resource-based view emphasize internal capabilities and leveraging firm-specific (internal and external) competencies to compete or achieve the strategic intent (Hamel & Prahalad, 1993; Herrmann, 2005). Hence, the outcome of strategy and the process by which it is made will differ fundamentally depending on its' underlying assumptions (Whittington, 1997).

Herrmann (2005) argues that whereas Porter's models have helped firms analyse the industry and streamline their strategies in the last decades, firms now need new ways and models of creating and preserving knowledge and doing addressing the cognitive rather than analytical aspects of strategy. Normann (2001) calls for the need for combining conceptual thinking and action orientation which can be related to Pfeffer and Sutton's notions of reducing the gap between the knowing and doing (Pfeffer & Sutton, 1999).

The separation, or gap, between formulation and implementation of strategy has long been addressed and dismissed in literature (Mintzberg & Quinn, 1992; Cummings & Daellenbach, 2009). However, it remains an issue in practice (Mankins & Steele, 2005). Furthermore, research on the interdependence between the two (formulation and implementation), particularly in the context of change between strategies of different assumptions, merits more attention (Johnson, 1992; Mankins & Steele, 2005; Sull, 2007; Melnyk, Hanson, & Calantone, 2010). The Strategic change literature per se may provide the roadmap for the process (Kotter, 1995; Mento, Jones, & Dirndorfer, 2002), but does not necessarily address the strategies involved.

With a reference to different schools of strategy within literature, and findings within cognitive research, one company's journey from a predominant generic paradigm of cost towards a more differentiated, blue ocean or ambidextrous strategy is explored. The purpose of the study is to contribute to the understanding of strategic change, illustrating a change process of formulating and implementing a strategy through the lenses of schools of strategy and cognitive research. The purpose is further to suggest areas for future research and practical guidance for organisations aiming to break away from a reigning strategy paradigm in search for new ways to compete. The research is based on a longitudinal case study of Billerud, a Swedish world-leading manufacturer of paper packaging material.

The Swedish Forest Industry

The forest industry, the pulp- and paper and the wood mechanical industry, is one of Sweden's most important primary industries representing approximately 12% of the nation's GDP, export, and employment. The pulp- and paper industry is in itself the third largest in Europe with manufacturers of newsprint, printing and packaging paper, board and tissue. Manufacturers of pulp- and paper products such as Billerud are characterized by its' high-tech, capital intensive processes and products with a high knowledge content. Research and development within production and process efficiency are key while the development of new products with high value added have become increasingly important in meeting global changes of technology, competition from

emerging markets, and changing consumer demands. Structural development over the last three decades has nearly halved the number of production facilities but doubled the capacity and production of paper (The Swedish Forest Industries Federation, 2011; The Swedish Forest Industries Federation, 2012a; The Swedish Forest Industries Federation, 2012b).

2 STRATEGY: FROM THEORY TO PRACTICE – A THEORETICAL FRAME OF REFERENCE

The forest industry has in recent years, like other primary industries, found themselves in search for new ways to compete, challenging the conventional wisdom of its industry which in Porter's terms has had a homogenizing effect on competition (Porter, 1996). Industry experts have criticized the industry for its' inability to develop strategically in a new direction due to stiffening structures and a lack of market orientation and entrepreneurship (Ottosson, 2008; Beckeman, 2008).

Different schools and different strategies

For an organisation in search for a new way to compete there may be different routes. Historically and still today, Porter's theory on strategy and the classical, or generic, approach has a strong hold both in literature and practice (Whittington, 1997; Herrmann, 2005; Dobni, 2010). A company can according to Porter (1985) achieve a competitive advantage through a distinctive way of competing, for example through *cost* or through *differentiation* in relation to its competitors. Based on a unique and valuable position, strategy is then all about making trade-offs and deliberately choosing a set of activities (different to competitors) and create fit between all of them to deliver a unique mix of value. Different positions require different activities, hence the need for trade-offs especially in choosing what *not* to do (Porter, 1996).

The need for trade-off is however rejected by the authors behind Blue Ocean (Kim & Mauborgne, 2004) as "... the evidence shows that successful companies pursue differentiation and low cost simultaneously" (Ibid. p.82). The problem argued by the authors of blue ocean strategies is being stuck in the old belief that trade-offs are necessary. A blue ocean strategy is all about creating new uncontested market space, making rivals irrelevant, through value innovation – simultaneously pursuing differentiation and low cost. This is in line with the proponents of the ambidextrous approach who point at the need and success of companies who are able to exploit what they have, through increased cost efficiency, and explore new areas for innovation and growth, at the same time (O'Reilly & Tushman, 2004; Sarkees et al., 2010). Normann (2001) calls for a new business logic, the 'reconfiguration of value creating systems' with the critical competence being 'organisation of value creation' rather than production. Where the customer is a co-producer, and not the final destination at the end of a value-chain, which was synonymous with the 'industrial paradigm'. The resource-based view advocates a move away from the traditional concepts of competitive advantage. From creating 'strategic fit', to that of leveraging resources based on a 'strategic intent' (Hamel & Prahalad, 1989; Hamel & Prahalad, 1993).

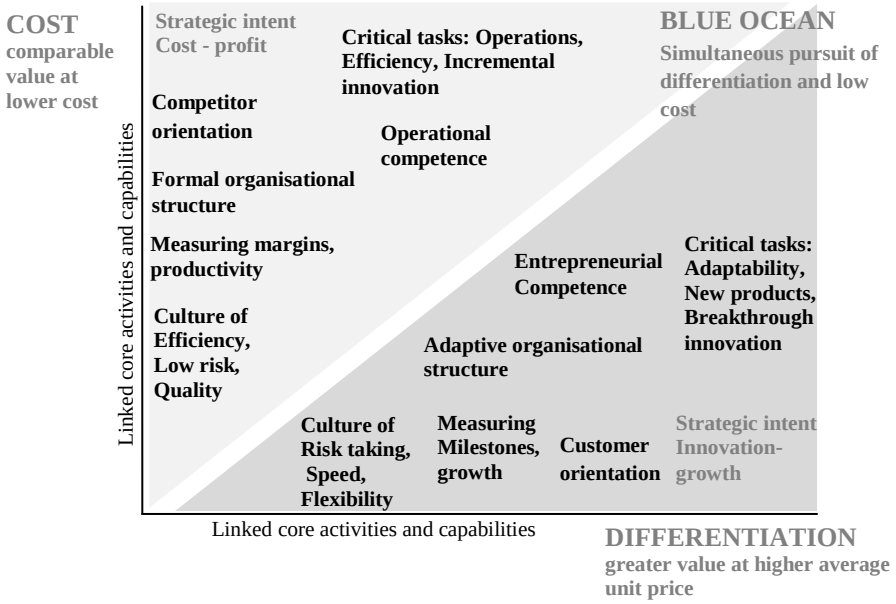
For organisations who originate from the industrial era, changing logic implies a dramatic conceptual and real change in how customers are viewed and how value is created (Hamel, 1996; Normann, 2001; Kim & Mauborgne, 2005). This, in turn, might require a new understanding and implementation of new concepts, competencies, tools and models. Research shows that for any organisation wishing to increase their customer orientation and innovation it is important to understand the link between these two, and strategy, and to know the relative impact of the actual strategy in relation to organisational values (Frambach et al., 2003; Dobni, 2010). "Understanding the links between a firm's market orientation and its underlying business strategy is critical to understanding how an organisations-wide commitment to markets can be created or, conversely, how this commitment may fail to arise in a firm" (Frambach et al. 2003, p. 379). This is in line with Dobni (2010) who argues that understanding the difference and the relationships between strategy and innovation is foundational to becoming innovative.

Despite the views of different schools of thought there is an agreement that creating fit between core activities and capabilities is the essence of strategy. Combining the 'whole' and not just focusing on one activity or one capability is advocated by Porter (1996) as well as the authors of Blue Ocean (Kim & Mauborgne, 2005) and Normann (2001). The more fit there is between company's critical tasks, resources and competencies as well as structure and culture, the more likely it is to achieve a competitive advantage (in Porter's terms), create a Blue Ocean, or be a prime mover (in Normann's terms). Different strategies then require a different mix to create fit. However, *how* these can be combined appears to be the issue.

With the aim to better understand the relationship and links between strategy and customer orientation and innovation, along with archetypal tasks, competencies, organisational structure and culture, a theoretical strategy landscape is proposed (see figure 1). Figure 1 is a summary of different schools of thought coupled with inherent characteristics of different strategies (Porter, 1985; Porter, 1996; Frambach et al., 2003; O'Reilly & Tushman, 2004; Kim & Mauborgne, 2005). Positioning dominant and contemporary schools of thought within strategy and management on the same map is naturally to simplify respective theory. The point here however is to visualize differences in theory and the potential challenges in practice. Without advocating one school or the other, the authors' proposed landscape aims to facilitate the understanding of relationships and links for an

organisation going through strategic change, moving from one end to the other, from cost to differentiation or aiming to combine both.

Figure 1: A proposed strategy landscape based on different authors and schools of thought within strategy (Porter 1985, Porter 1996, Frambach et al. 2003, O'Reilly & Tushman 2004, Kim & Mauborgne 2005



Strategy in practice – from knowing to doing through learning in context

For any organisation, and particularly for a company seeking to break-away from a reigning approach, it may well be a necessary first step to question the assumptions behind the strategy, and the implementation process rather than adhering to a set of suggestions deriving from one particular school or author. Such an inquiry may be facilitated by an honest and fundamental questioning of the mental models or industry recipes that govern the behaviour of any individual or organisation in order to think of new ways to compete (Argyris & Schön, 1995; Markides, 1997; Jacobs & Heracleous, 2005).

Understanding the why before how is fundamental to closing the knowing doing gap (Pfeffer & Sutton, 1999), potentially more so when going through strategic change. From the perspective of learning and cognition (Brown, Collins, & Newman, 1989), closing a similar knowing-doing gap would furthermore require that individuals in an organisation learn, not just "learn about", a new intended strategy and its' prerequisites or inherent characteristics as suggested in figure 1. The failure to do so can be viewed as an error, a mismatch between what is intended and realized caused by individual and organisational defensive routines and theories in use, hampering learning (Argyris, 1989). One such routine is the separation of knowing and doing which we are taught from an early stage according to Brown et al. (1989). This can be compared with the criticism towards the classical approach within strategy for having separated thought from action, and the formulation and implementation of strategy (Mintzberg, 1994; Whittington, 1997; Harryson, 2000).

Brown et al. (1989) challenge the separation of *what* is learned from *how* it is learned and used through pointing at learning and cognition as fundamentally situated, i.e. a product of the activity, context and culture in which it is developed and used. Brown et al. (1989) propose three interdependent parts necessary for learning: *concept, activity* and *culture*. The authors argue that a 'concept', like the meaning of a word is always under construction and will continually evolve with each new occasion of use. They argue that knowledge can be compared to tools which can only be fully understood through use, through authentic, real, 'activities' which in turn are impossible to grasp unless they are viewed from within the 'culture' (Ibid. 1989).

Looking at strategy based on the notions of situated cognition one could view strategy as a tool (concept) which can only be fully developed and understood through implementation (real work activity) which in turn is dependent on the organisations culture (culture). Instead of focusing on what may hamper learning, the notions put forward by Brown et al. (1989) offer an interesting perspective on the prerequisites for *enabling* learning. In terms of formulation and implementation of strategy it is not only about the actual concept/-s of strategy 'per se' but also the way these concepts are understood and developed in ordinary activities and practices, in turn influenced by the organisation's culture. Hence, introducing a strategy of differentiation in an organisation

previously focused on cost would require more than new definitions of, or tools for increased customer orientation and innovation. To enable practitioners to act meaningfully and purposefully one needs to be exposed to authentic activity, defined as the ordinary practices of a culture (Brown et al., 1989). In the face of change, the process of learning and enculturation is dependent on new systems of behaviour and belief, or cognitive apprenticeship as suggested by Brown et al (1989) .

3 METHOD

The theoretical framework and empirical findings presented here stem from a qualitative and longitudinal case study from 2004 to the beginning of 2011 of one company within the Swedish forest industry named Billerud. Billerud is a world-leading manufacturer of paper packaging material with three main business areas: packaging and speciality paper, packaging boards, and pulp. The first two areas represent the main business with approximately 75% of net sales. The four mills, three located in Sweden and one in the UK, and more than ten sales offices serve 1000 customers in 100 countries. Europe is the core market, while emerging markets are growing. The selection of the case was based on the aim to contribute to the understanding of strategic change of a reigning paradigm why the type of industry, and particular company, proved suitable for the purpose together with access over a period of time (Stuart, McCutcheon, Handfield, McLachlin, & Samson, 2002; Gummesson, 2003). The unit of analysis is the strategic change under way and more specifically the managerial actions and decisions (Kim & Mauborgne, 2005) involved in this particular case for implementing a strategic change. The qualitative approach has allowed for capturing the individual perceptions of the studied change (Voss, Tsikriktsis, & Frohlich, 2002).

During the first two years of the study (2004 to 2005) the aim was to identify the challenges of implementing a new strategy (Olander-Roese & Olsson, 2007). In 2006, a new management team was put in place, and the strategy revised. The findings presented here are based on a comparison between the initial findings and the development within Billerud up to 2011 with the aim to contribute to the understanding of strategic change.

The empirical findings collected between 2006 and 2011 (in order to be able to compare the initial initiatives 2004 to 2005 reported on previously) are based on interviews, meetings/workshops and written material. Nine (9) in-depth and semi-structured interviews were performed with six, out of eight, individuals in the group management team and three individuals closely linked to prioritized strategic projects in the end of 2010. The interviewees in the group management team include the CEO as well as heads for packaging related business areas, production and business functions such as HR and R&D. The three individuals outside the group management were selected and interviewed based on their responsibility for technical development, business analysis and development and service development respectively. The interview guide comprised of issues covering: objectives and financial targets, strategy, customers/markets, products/services, innovation and development, implementation and control systems. The interviews were aided by four images with copied illustrations and text of the company's: Business idea, Strategy, Organisational structure and Value chain, from 2004/2005 and 2009/2010 respectively. The images were used to contrast the differences and similarities between the years and capture the interviewees' experiences and reflections on the changes. The illustrations and texts were collected from internal presentations and annual reports. Three meetings and workshops were held 2008 to 2011 with members of the group management team to prepare and reflect on previous research and new findings and propositions. Written material studied includes internal and external presentations, employee magazines, annual reports, press releases and media articles.

Through an abductive approach, an iteration between theory and empirical findings has been allowed for (Alvesson & Sköldberg, 1994; Dubois & Gadde, 2002; Olsson & Olander-Roese, 2005). In analysing the empirical data from interviews and written material, qualitative content analysis has been applied (Patton, 2002). The interviews were transcribed and summarized with findings in the written material. This was followed by matching central events, decisions, actions, and experiences in relation to the themes identified in the initial phases of the study when four main challenges to the implementation of the new strategy were identified. Firstly "*Dominant perspectives"* referring to existing and predominant perspectives and ways of working with a strong focus on production rather than customer and potential market needs. Secondly "*Tools and Processes"* referring to a lack of definitions, tools and processes for market learning, new product development and innovation. Thirdly "*Strategy and strategic decisions"* referring to assumptions and actions guiding strategy and strategic decision not supporting the strategic intent. And last, the actual "*Implementation approach"* in itself which had led to breakdowns in communication (Olander-Roese, 2008). The analysis of the interviews was complemented with findings and content analysis of the written material on: particular events and focus areas, and descriptions of targets, strategy, markets, business areas, and developments of internal programs, systems and processes.

Different sources of data were used to ensure the quality of the case study at hand (Benbasat, Goldstein, & Mead, 1987; Yin, 2003). Furthermore a continuous dialogue with the case company has allowed for reflections on preliminary outcomes and final propositions suggested in this article. This was an important step in order to

validate the findings, or rather demonstrate reasonableness, credibility and truthfulness in practice as well as in relation to existing theory (Patel & Tebelius, 1987; Arbnor & Bjerke, 1994; Gummesson, 2000).

4 FINDINGS AND DISCUSSION: THE JOURNEY TOWARDS A NEW PARADIGM

Billerud was formed in 2001 through a merger of existing Swedish paper mills and introduced on the Stockholm Stock exchange. During the first years, much work was spent on coordinating the activities of the different mills. Synergies lead to increased production capacity and a significant rise in deliveries. In 2004 a new strategy was developed where *customer orientation* and *new product development* were important cornerstones. However, implementing the new strategy proved difficult due to the history and current strategy of the company. To further complicate the situation, weakening of the market conditions, and rising costs for raw materials and energy, brought the operating margin to negative levels in 2005.

Following the first attempt to institute the notions of 'customer orientation' and 'innovation', a new management team was formed between 2005 and 2006. Together with external expertise Billerud's objectives and strategy were revised anew. In 2010 the financial target of operating margin was reached for the first time. During the years in between, two issues of particular relevance to Billerud's journey, contribute to the purpose of this paper. Firstly, how to link and form new dominating ideas of customer orientation and innovation in relation to the current paradigm guiding the firm and secondly, how to implement relevant tools and models for innovation and business development.

Linking and forming new dominating ideas - Aiming to lead the future of packaging development

The central driving force for the new management team of Billerud was, and still is, to move away from a traditional paper-pulp supplier to a customer focused, solution oriented company. Revising the strategy anew in 2006 aimed to clarify that intent and enable a move from a position of competing on price, volume and 'receiving orders', to taking a proactive lead in the development of future packaging and packaging solutions. What was expressed as an aim to be *'the customer's first choice when selecting packaging paper*' in 2004 has evolved to the objective of leading *'the development of future packaging with a focus on function, design and sustainability*'. The main aim was to, in parallel, establish the two cornerstones of strategy being world class process efficiency and customer focused development.

Billerud's point of departure, or rather that of the founding mills', can be plotted to the left on the strategy landscape where operations, efficiency and incremental innovation were key (see figure 1). When Billerud first introduced the concepts of customer orientation and new product development in 2004, the link between these and strategy as suggested by Frambach et al. (2003) was not established. Limited attention was paid to what these terms actually entailed from the perspective of strategy, in addition to the practical and cultural prerequisites (Olander-Roese & Olsson, 2007).

Revising the strategy in 2006 clarified the strategic intent through addressing the assumptions behind and answering the 'why', before how, as suggested by Pfeffer and Sutton (1999). This was also coupled with decisions based on a cultural view (as opposed to a behavioural view applied by Frambach et al. 2003), seeing an organisation's culture rather than only strategy as influencing the organisation's market orientation and hence new product activity and innovation (Deshpandé & Webster, 1989; Homburg & Pflesser, 2000; Frambach et al., 2003). For Billerud the inherent 'industrial view' as phrased by Normann (2001) recognized by a culture in favor of process efficiency, low risk, and quality did not promote the exploring culture of risk-taking and flexibility sought for. As expressed by one interviewee "…*we have decided to embark on a journey which means we must maintain and increase our flexibility and our ability to respond to our customers in a way that is much clearer now than it was before, that puts a lot of pressure on production. Historically the industry, and us, have lived by the logic to produce as much as possible and sell what we produce, and it does not add up anymore*".

One important decision to enable customer orientation, without reducing the focus on operational excellence, was to re-structure the organisation much in line with the ambidexterity approach suggested by Tushman and O'Reilly (2004) to enable exploiting and exploring simultaneously. In 2006 shortly after revising the strategy three business areas were formed. The intent was to clarify the organisational responsibility for *customer focused development and sales* on the one hand within the business areas, and the mills responsibility for *production efficiency and quality* on the other. The commercial responsibility, which had previously been with the mills, was placed with the business areas together with the development of new products and services. In doing so, Billerud has allowed for a new exploring culture within the formed business areas, and a strengthening of the existing culture of exploitation within the mills, of equal importance to ensure the quality and development of the production processes. As Billerud's strategy has evolved "culture, values and employees" has been added as an important cornerstone of strategy to further emphasize the building blocks paramount for achieving growth. However, fundamental challenges facing the new management team were that of 'back-selling', a term connected with approaching the customers' customer, and how to increase innovation.

The ring fight between operational excellence and customer development

When the decision was made to put more emphasis on 'customer orientation' already in 2004 it opened up for a new perspective, extending the scope beyond the primary customer (the converters) to also include the customers' customers: brand owners and retailers. The intent was not to move forward in the value chain e.g. through acquiring converting capacity. The intention was to move from a position of 'receiving orders' to taking a more proactive stance, finding other meanings of value than price per square-meter. This is in line with Normann (2001) who argue the need for a new business logic where "…true customer orientation means that one has to go beyond the direct relationship between oneself and one's customer to understand the relationship between the customers and the customers' customer..." (Ibid. p.71). However, embracing the brand owners and retailers, tapped on the deeply rooted taboo of 'back-selling' and was not regarded acceptable industry practice.
Managing the ring fight between "productivity focus" versus "customer-sales focus" created a need for steps, solutions and a timeframe more suitable to Billerud's organisations than initially foreseen. Revising the strategy in 2006, giving new meaning to customer orientation and innovation has required learning, not just 'learning about', in the relevant context and through 'real' activities to enable implementation in line with the suggestions of Brown et al. (1989). For Billerud it was not only a matter of finding the right tools and processes for identifying market needs and developing new product or services. Challenging 'back-selling' involved risk-taking and a learning by doing approach much in line with the suggestions by Pfeffer and Sutton (1999). It also involved enabling a new mind set as suggested by Normann (2001) – not only within the organisation but also in the industry. Through intense communication in media and new innovative offerings, the image of Billerud today is that of a 'prime mover' to use Normann's terminology (Normann, 2001). That image may be stronger outside than inside the company but has helped the company's re-positioning on the market as well as in strengthening the strategic intent internally.

Within the organisation, what in 2004 was perceived as a decision "put on top" of the regular tasks performed, has become part of the daily activities within the business areas set up to work with customer focused solutions. One of the contributing factors in this process was recruiting competence with experience from working with brand owners and retailers. With support from the management team, and individuals in charge, second customers were approached. The first attempts were by no means a success. However, through a determined and yet tolerant trial and error approach, valuable market intelligence was gathered and relations with new actors created. One of the interviewees recalled one of the first attempts to approach retailers "…*we met with retailer X, the heads and all, well prepared, presented our paper and our environmental approach and their response was: 'guys, we don't buy rolls of paper, we buy packaging. So please come back when you have thought this over and have something to offer.' So we did that and realized it is the packaging solution that is the key issue.*" The reaction from primary customers, the converters, was not that of back-selling but rather a positive response to the value that Billerud was able to contribute to them, in what has become a joint effort in satisfying the needs and expectations of brand owners and retailers. For Billerud the feedback process from talking to retailers and brand owners has become lead generators in the company's own development of new products and service solutions. Today, customer based solutions account for approximately five percent of the turnover with the intention to be five folded.

Exploring and situating the concept of innovation

Introducing the idea of 'innovative packaging solutions' in 2004 led to a need for new tools and processes which, at the time, were not familiar to the organisation. With the revised strategy in 2006 a number of potential areas for innovation were identified and the achievements that followed can be understood through the prerequisites for situated cognition, or enabling not only knowing but also doing (Brown et al., 1989; Pfeffer & Sutton, 1999). Firstly, the term innovation itself was addressed in the context of Billerud with its' overriding strategic intent and different organisational cultures enabled through the new organisation. The term in itself was found inhibiting for many years and extensive work was put into defining and putting in place an interpretation and way of working suitable for Billerud, where previously development had been much tied to the production processes improving efficiency and the quality of the paper. Similar to other interviewees one explained the management's work with innovation: "*I would like to say, or rather what we want innovation to be…, we've struggled with the term, it is a rather intimidating concept, there are so many different views on what innovation is. So we have chosen to describe it in three areas, where we believe we contribute, where we aim to develop our strengths.*"
Debating and testing resulted in three focus areas: radical business development, customer driven product development and customer relations including events and workshops. In practice Billerud has worked with parallel instead of sequential processes, developing and testing the same ideas and solutions on the market simultaneously, with the result of launching innovative packaging solutions with registered trademarks. The move would not have been possible without the fundamental and deep-seated knowledge of the paper within the organisation, combined with a competent and flexible approach of test-runs and trial and error.

Today Billerud has arrived at an innovation model with two different processes and outcomes adapted to the mills on the one hand, and the business areas on the other. While the mills have a process for improvements and incremental development, the business areas have one for renewal and business development. In spite of the different innovation processes, new product concepts have been tested in the mills and successfully launched, in one particular case even without the consent of management. Billerud's learning-by-doing approach allows for new interpretations and action through 'real activities', hence enabling innovation in areas not foreseen. A closer cooperation beyond existing customers to customers' customers, has also included building a network with suppliers, universities and interest organisations to support a more open arena for innovation.

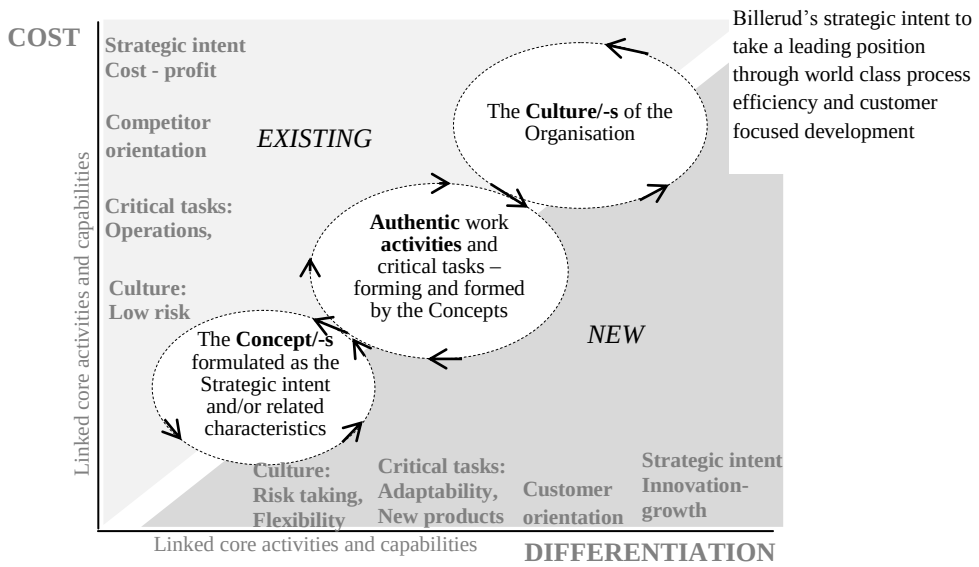
Linking and situating – instead of formulating and implementing

From a theoretical perspective of strategy one could argue that it goes without saying that understanding and making the link between strategy, core activities and capabilities (Porter, 1996; Normann, 2001; O'Reilly & Tushman, 2004; Kim & Mauborgne, 2005) as well as customer orientation and innovation, is a prerequisite for success. However, the limited research between strategy, customer orientation and new product development identified by Frambach et al (2003), together with the empirical findings presented here, suggest that more understanding is needed to facilitate such strategic change. We would argue that there is little consideration for the actual outset of an organisation's strategic endeavour, in relation to the process of linking. For Billerud, the strategy paradigm that had formed the constituent parts of the company for decades, and its' core activities and capabilities, had little room for customer orientation and innovation in the way it was intended, when it was first addressed. The actual progress made towards a new competitive position – aiming to move from a cost-focused strategy to a strategy combining cost and differentiation in Porter's terms, or a Blue Ocean, has been facilitated by a deeper understanding of these links, not only from a behavioural view but also a cultural view (Deshpandé & Webster, 1989; Homburg & Pflesser, 2000; Frambach et al., 2003). In practice, discussions within the management team on the feasibility of the strategy and differences in view on the deadline for performance output have been continuous, while at the same time a contributing factor to the changes. While on the one hand clarifying the new strategic intent, the on-going journey to achieve this objective has required an equal share of clarifying the assumptions behind the strategy to date. "*It's all about simplicity, a simple organisation, creating trust and confidence between people. If you create a complexity in the communication and relations between people you undermine that, from sales to the visionary stuff it's all about the ability to concretize in all simplicity what needs to be done, otherwise this journey will only be a power point-presentation*" in the words of one interviewee. The different actions and decisions taken between 2004 and 2011, has created a deeper understanding of the links between strategies and core activities, capabilities and cultures. This in turn has contributed to finding and developing new ways of working, recruit new competence, guide the allocation of resources and structuring of the organisation as well as adapt the performance measures. "*Today, we* [in the management team] *talk exclusively about customers…no rather, we talk about business, innovation and development. Volumes and production takes less space, if any*." as expressed by one person in the management team. Based on the empirical findings and theoretical framework presented here we would therefore suggest the following: *(Proposition 1) for an organisation going through strategic change, understanding the assumptions behind different strategic intents and the link between a chosen strategy and critical core activities, capabilities and culture is a prerequisite to enable a transition*. The proposed strategy landscape (see figure 1) may be one starting point.

In order to overcome the formulation and implementation gap however, understanding the links is only the first step. The main contributing factor to Billerud's progress from 2006 and onward, is the way in which management acknowledged and approached the differences in capabilities, tasks and culture needed. And foremost, the iterative and interdependent process between new and existing concepts of the strategic intent, work activities and culture. In the words of Argyris (1977), the new management violated the norms and games respected and played in order to survive through challenging "back-selling" for example. However, this action was coupled with establishing new "ordinary practices" both through approaching customers customer's and through doing test runs in the production facilitates, not common practice in the process and investment heavy forest industry. Progress and projects have been allowed to flourish even if they have not always followed the documented implementation routines or, for example, power point templates connected to new initiatives. The recruitment of new managers have played a central part in setting a different, or rather complementary, innovative culture, recognized by risk-taking, speed and flexibility through a process of joint interaction between the "new" and the "existing". As expressed by one interviewee: "*This learning process we have entered is so multifaceted. It's about everything from our* [administrative] *systems to how we communicate, how we should be organised, our control system and performance measures, about incentives for sales people; all this is part of the journey that we are on. And what may seem very logic on the surface, and heading the direction we are, is not trivial*." Billerud's iterative implementation and learning approach for enabling strategic change, moving towards differentiation while maintaining focus on cost, is illustrated in figure 2. The figure is

developed based on the suggestions by Brown et al. (1989) seeing learning for strategic change through the lenses of situated cognition and different schools of strategy.

Figure 2: Implementing strategic change through the lenses of situated cognition. Figure developed based on the suggestions by Brown et al. (1989) and authors within strategy (Porter 1985, Porter 1996, Frambach et al. 2003, O'Reilly & Tushman 2004, Kim & Mauborgne 2005).



Hence, strategic change with the aim to create a new paradigm, linking new core activities and capabilities, allowing for simultaneous exploitation and exploration has not only required linking or subsequent structural measures as suggested by O'Reilly & Tushman (2004). To quote one interviewee: *"This is very much about turning people's heads around, to create the right attitudes is extremely important. And that journey, we have certainly not reached the end of. Getting to the depth of the whole organisation, is a job not finished, if it is even feasible…"*. In their own words Billerud's journey is still in an early phase. Issues of culture, organisation structure and business models remain as well as finding new performance measures. Through the lenses of situated cognition (Brown et al., 1989) and different schools of thought within strategy, Billerud's journey from 2004 to 2011 is best described as an on-going movement and a process of knowledge and learning as situated – much dependent on an interaction between the existing and wanted strategic 'concepts', 'activity' and 'culture'. Hence we propose that (*Proposition 2)*: *strategic change is enabled through an iterative and probing approach between formulation and implementation which considers knowledge and learning of new concepts, activity and culture as situated.*

5 CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The purpose of this paper is to contribute to the understanding of strategic change, especially for an organisation challenging a reigning strategy paradigm. Through combining empirical research with different schools of thought within strategy and a cognitive approach for learning we suggest two propositions contributing to future research and practical guidance for managers when formulating and implementing strategic change through: linking and situating.

Firstly we suggest that understanding the assumptions between different strategic intents and the link to and between the subsequent core activities, capabilities and culture is a prerequisite for enabling a similar strategic change. For theory we argue the need for further research on the link (or non-link) between assumptions of current and intended strategy and particular activities, capabilities and cultural attributes of relevance for enabling a viable strategic change. Future studies within the forest and paper packaging industry and similar settings could aim to further identify, compare and develop frameworks for, for example, introducing contemporary strategy concepts such as customer orientation and innovation. In the case reported here, the link between strategy and these concepts was expressed to be particularly difficult due to the dynamics between the productivity focus versus the customers-sales focus.

Secondly, and possibly more importantly in a similar situation, we suggest that a transition and implementation is facilitated through an approach which considers knowledge and learning as situated. The case

study indicates that in spite of the outset with a revised strategy and plan, an iterative and probing approach of formulation, interpretation and implementation coupled with purposeful activities acknowledging different cultures, have been integral (but not always foreseen) parts of the journey. For theory we argue the need for further research on the role of situated cognition in strategic change, and particularly the interdependency between cognitive and behavioural aspects in formulating and implementing strategy. A study focusing on identifying the content and relative impact between the interdependent parts of strategic 'concept/-s', 'authentic work activities' and 'culture/-s' (see figure 2) could shed more light on the iterative process of strategy formulation and implementation in strategic change. Furthermore it could be made more explicit what needs to change and how, seeing that change takes time and may require more focus on the how compared to implementing a strategy with no or limited change. Future research in this direction would require more in-depth and longitudinal case studies beyond the management tier of an organisation.

An interesting aspect of the cognitive processes is also the role of language and particularly use of verbal expression and their potential development during a change process when giving new meaning to new concepts, tasks and capabilities. Further research is also suggested in the area of managing a dual focus, in terms of strategy, exploring and exploiting through an ambidextrous approach, based on longitudinal studies.

For practice we argue that these findings are of high relevance for organisations, not least within primary industries, facing the same or going through similar strategic change, questioning or challenging a strategy paradigm. Adhering to calls for increased customer orientation and innovation is easy but making them everyday practice, and strategically viable, may comprise more than adding them to the current strategy. The propositions suggest that managers could benefit from acknowledging the strategic landscape suggested in this paper as a means to prepare for strategic change. The findings also indicate that a strategic change process may be facilitated through consciously applying an iterative process from the outset allowing for an effective adaptation of strategic concepts such as value propositions, and development of capabilities and culture considering 'every day activities'.

On a final note the concluding propositions have limitations in that they have been derived from a single case study and thus has not allowed for a cross-case analysis (Eisenhardt, 1989; Gummesson, 2000). However, despite the empirical description being specific to one company, the resulting findings may be of general relevance as studies of management and organisations benefit from longitudinal and in-depth qualitative research (Gummesson, 2000; Gummesson, 2003). The aim to contribute to the understanding of strategic change may benefit from even more explorative and patient research approaches within companies who are dipping their toes in a new ocean without knowing what awaits below the surface.

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